

Message Text

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44

ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 EB-11 CIAE-00 DODE-00 INR-10

NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03 PM-07

AID-20 COME-00 FRB-02 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 NSC-10 SS-20 STR-08 CEA-02 L-03 DRC-01

/173 W

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R 191605Z OCT 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1428

50TH TAC GP FAF AVIANO

6917 RSM BRINDISI

COMSIXTHFLT GAETA

USCINCUSAREUR HEIDELBERG

8TH LOG COMMAND LIVORNO

CONCSOUTH NAPLES

COMSERFORSIXFLT NAPLES

NAF SIGONELLA

NAVSUPPACT NAPLES

USCINCEUR VAIHINGEN

FIN&ACC OFF SETAF VICENZA

CMDR EUREXCSERVICE FOR ITALY VICENZA

RIR PROC&PROD ITADJUSTMENT WIESBADEN

CINCUSAFE RAMSTEIN AB GER

FIN&ACC OFF ZWIEBRUECKEN

USS HOWARD W GILMORE

DIVENGR USAEDM LEGHORN

UNCLAS ROME 11452

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE REGULATIONS CONCERNING PURCHASE OF
DOLLAR BANKNOTES WITH DOLLAR CHECKS

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FOR DEFENSE, TREASURY (PASS FISCAL SERVICE FOR COX)

1. FOLLOWING IS IN RESPONSE TO INQUIRIES FROM MILITARY FINANCE OFFICERS ABOUT RECENT BANK OF ITALY (BOI) LETTER TO ALL MILITARY BANKING FACILITIES CONCERNING PURCHASES OF DOLLAR BANKNOTES WITH DOLLAR CHECKS.

2. BOI CIRCULAR IS IN EFFECT, SIMPLY A REMINDER TO THESE BANKS THAT EXISTING EXCHANGE REGULATIONS MUST BE OBSERVED BY ALL AUTHORIZED EXCHANGE DEALERS, I.E., BOTH BANKS AND CAMBIOS. IT IS NOT A NEW MEASURE. GOI LETTER REITERATES REGULATION UNDER PRESENT DUAL EXCHANGE MARKET SYSTEM WHICH REQUIRES THAT PURCHASE OF DOLLAR BANKNOTES WITH DOLLAR CHECK MUST BE CARRIED OUT IN TWO SEPARATE TRANSACTIONS. FIRST, DOLLAR CHECK MUST BE CONVERTED AT COMMERCIAL LIRA RATE INTO LIRE. SECOND, THESE LIRE MUST THEN BE USED TO PURCHASE DOLLAR BANKNOTES AT FINANCIAL LIRA RATE. FOR EXAMPLE, CHECK FOR \$1.00 IS CONVERTED INTO LIRE AT COMMERCIAL RATE. OF 565 LIRE. 565 LIRE THEN CAN BUY ONLY \$.95 INSTEAD OF \$1.00 AT FINANCIAL RATE OF 595. IN OTHER WORDS, \$1.00 CHECK CAN NO LONGER PURCHASE \$1.00 BANKNOTE. PURPOSE OF REQUIRING TWO STAGE TRANSACTION IS TO AVOID CIRCUMVENTION OF RESTRICTIONS WHICH SEPARATE TWO EXCHANGE MARKETS. IF DOLLAR CHECK COULD BUY DOLLAR BANKNOTE ON ONE TO ONE BASIS THEN FINANCIAL LIRA EXCHANGE RATE WOULD BECOME AVAILABLE NOT JUST FOR CONVERSION OF FOREIGN BANKNOTES BUT ALSO FOR OTHER DOLLAR INSTRUMENTS.

3. WE REGRET THAT INABILITY TO OBTAIN DOLLAR CURRENCY FOR INTERNAL USE ON MILITARY BASES MAY CREATE SOME DIFFICULTIES AND SUGGEST THAT FOR TIME BEING YOU ATTEMPT TO OBTAIN DOLLAR CURRENCY THROUGH U.S. MILITARY CHANNELS. TO EXTENT DOLLAR CURRENCY CAN BE OBTAINED THROUGH THESE CHANNELS ALSO FOR CONVERSION INTO LIRE AT BANKNOTE (FINANCIAL) RATE THROUGH AUTHORIZED BANKS AND EXCHANGE OFFICES WE HAVE NO OBJECTION. HOWEVER, WE CANNOT EXPECT LOCAL BANKING FACILITIES TO PROVIDE DOLLAR CURRENCY, EXCEPT IN CONFORMITY WITH ITALIAN EXCHANGE CONTROLS AS SPELLED OUT IN BOI LETTER MENTIONED ABOVE.

4. WE HOPE TO HAVE REPLY WITHIN ABOUT 10 DAYS TO US PROPOSAL FOR OBTAINING LIRE AT BANKNOTE RATE FROM BANK OF ITALY. IF REPLY SHOULD BE NEGATIVE, WE WILL HAVE TO RE-EVALUATE OUR PUR-

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CHASE PROCEDURES. IF POSITIVE, SOME TIME WILL STILL BE REQUIRED TO PUT PROCEDURES INTO EFFECT. VOLPE

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Disposition Remarks:
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